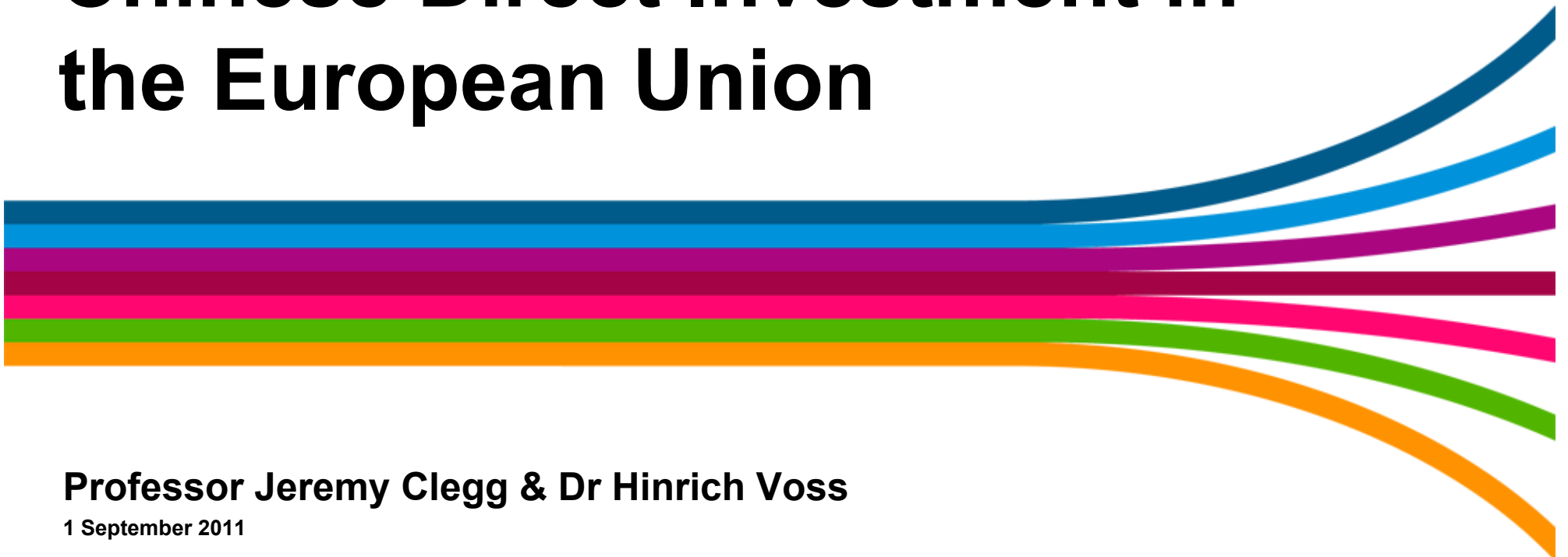




Leeds University Business School

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Chinese Direct Investment in the European Union



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Executive Summary I

- By 2009 Chinese OFDI had come to exceed total outward flows from leading EU outward investors such as the United Kingdom.
- In 2010 Chinese firms had invested € 45bn (US\$ 59bn) overseas.
- Chinese investments to the European Union (EU) are small.
- Member States that have a structured approach to Chinese investors, such as France, Germany and the UK, have attracted the largest stocks.
- The commercial EU-China FDI relationship is foremost a relationship between individual Member States and China.
- Since 2000, Chinese investors have diversified the range of industries in which they invest in the EU.
- The apparent relationship between Chinese inward FDI and Member State market size fits with the view that the EU Internal Market is segmented.



Executive Summary II

- Chinese firms' acquisition activity follows the size of economy and market liberalisation.
- The Investment Promotion Agencies in the Member States perform an important facilitation function.
- An integrated FDI policy, encompassing an International Investment Agreement would help to reduce the average costs of doing business for Chinese firms in the EU.
- Policies based on barrier reduction offer greater promise to encourage inward investment from China.
- The quality of Chinese inward FDI is just as important as the quantity - the German "benchmark model".
- Chinese firms are currently unlikely to transfer superior technology to the more advanced Member States, but rather entrepreneurial business models.



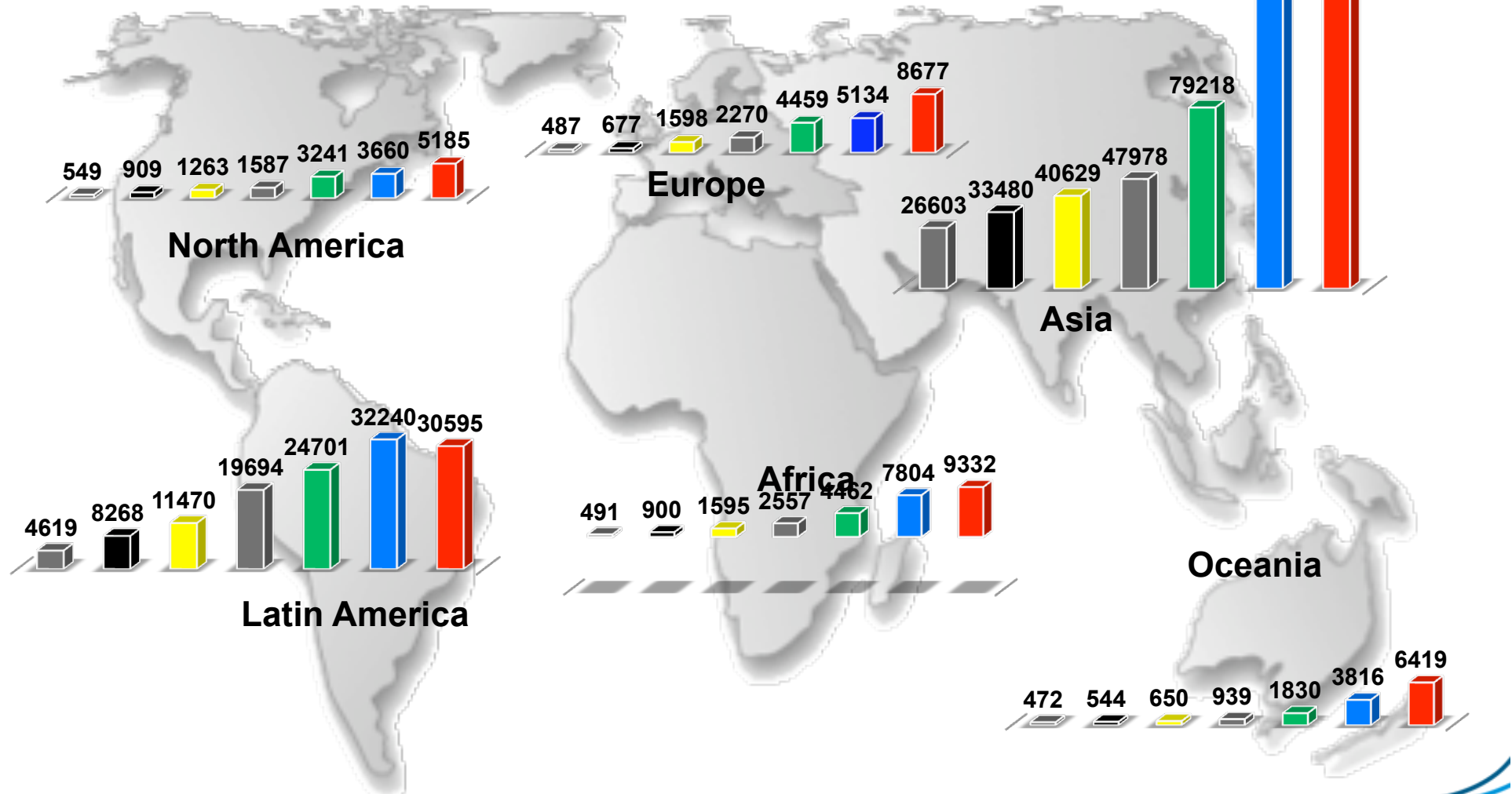
The internationalising firm

- Measuring direct overseas commitment
- Motives for FDI
- Principals of foreign market entry mode choice

Chinese outward FDI Stock by Regions 2003-09 (Millions of USD)



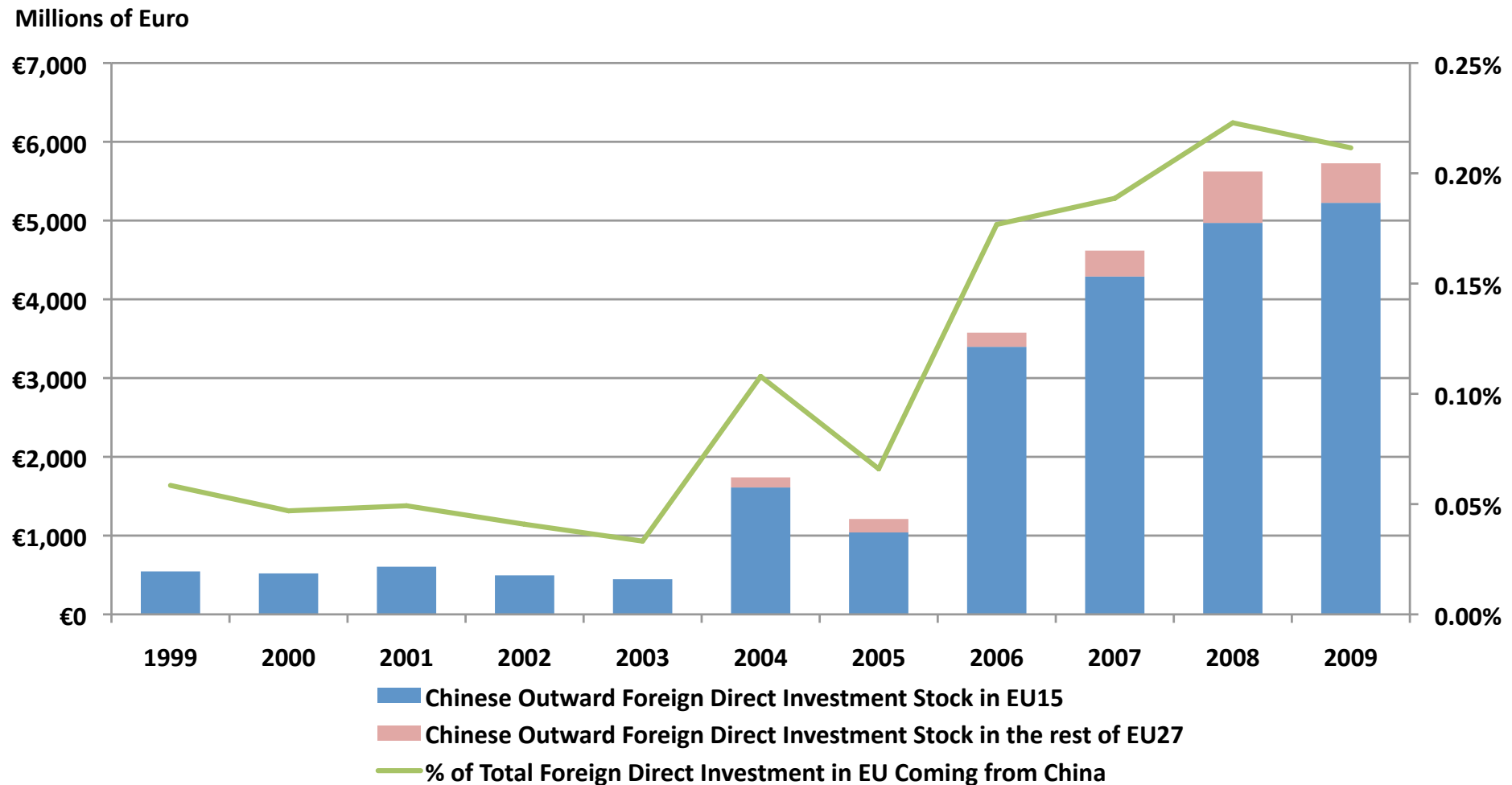
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Chinese Investments in the EU27, FDI Stock 1999-09 (Millions of EUR; %)



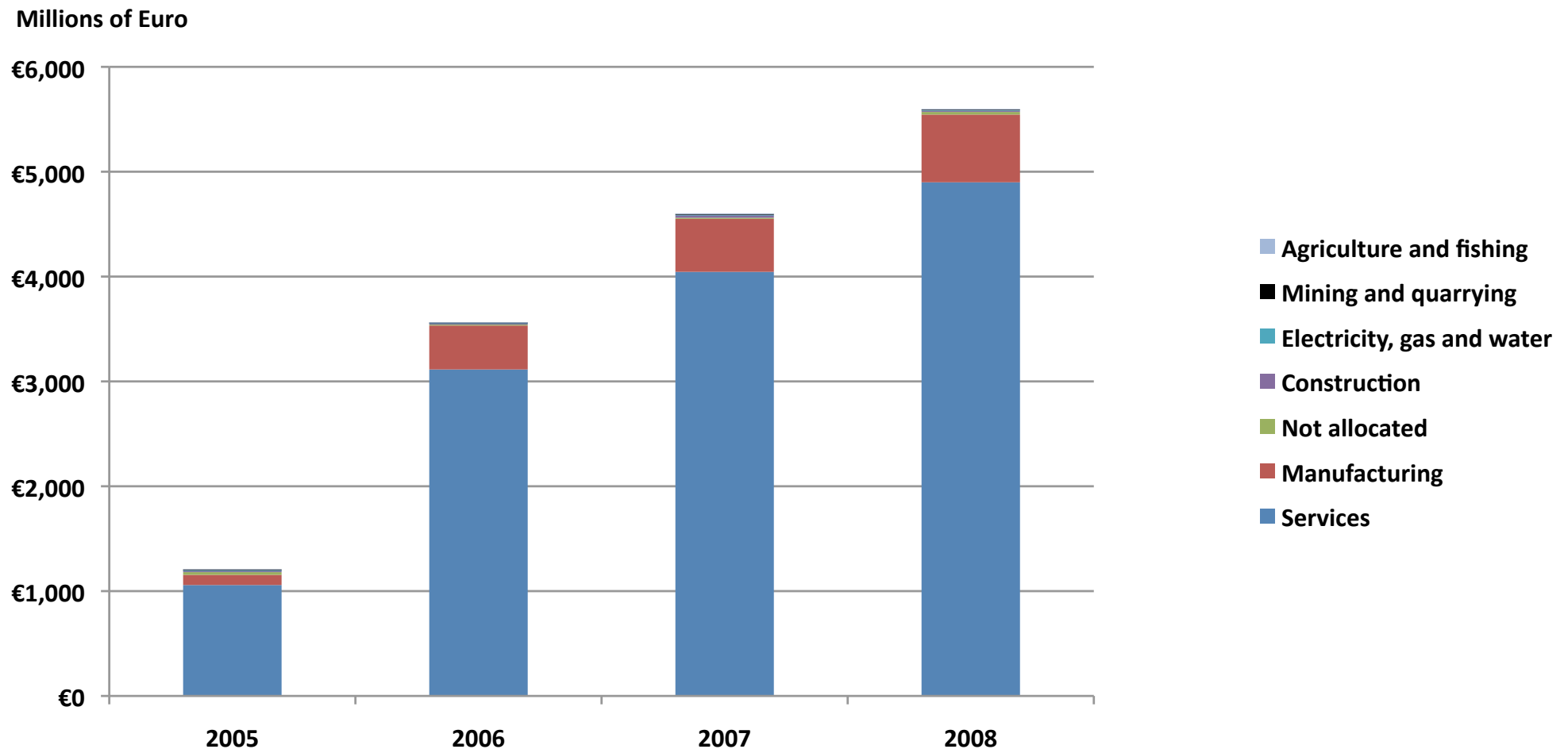
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Industry Distribution of Chinese FDI Stock in the EU27, 2005–2008



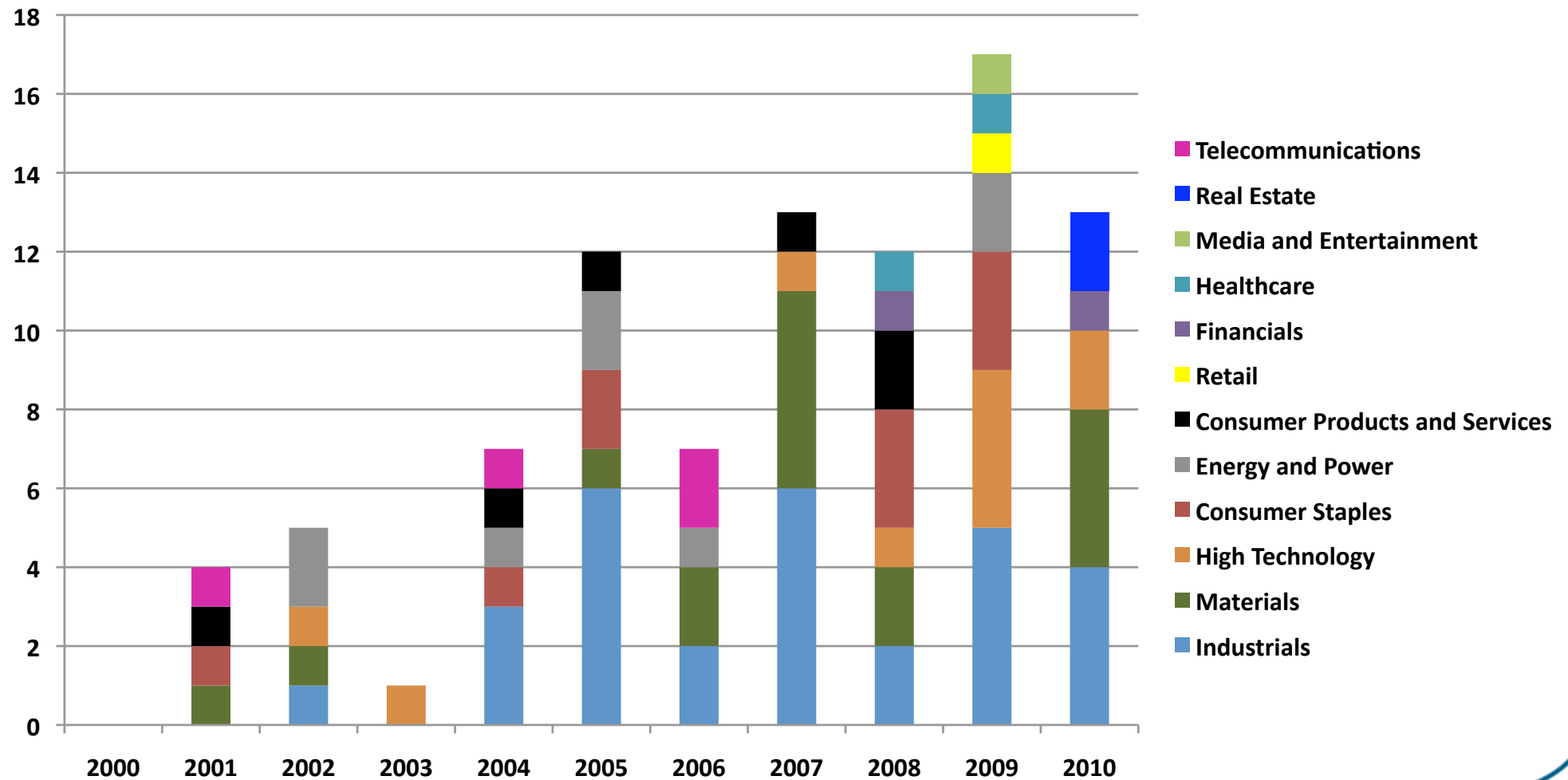
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Industry Distribution of Completed Chinese M&As in the EU27



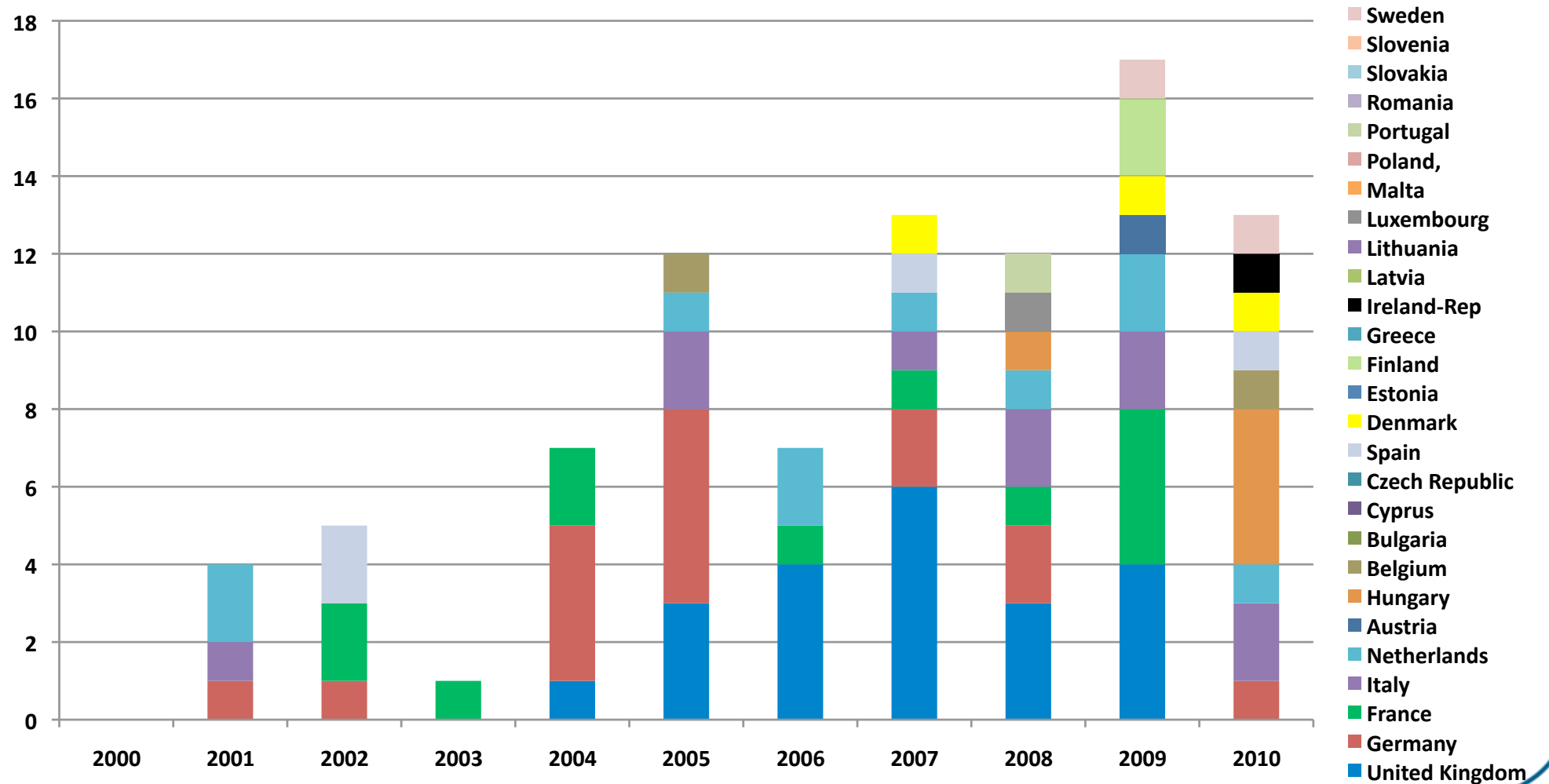
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Country Distribution of Completed Chinese M&As in the EU27



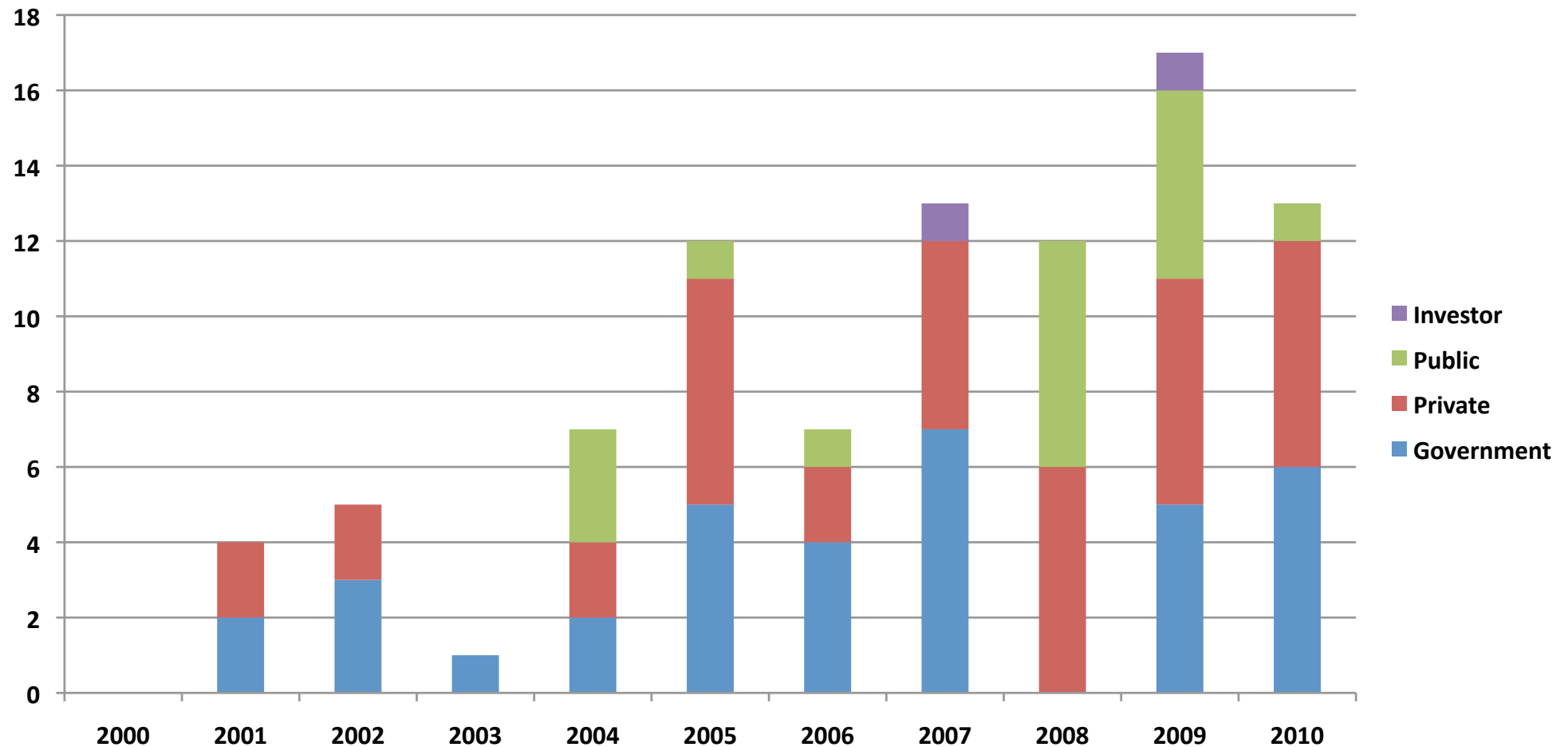
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The Ownerships of Completed M&As in the EU27



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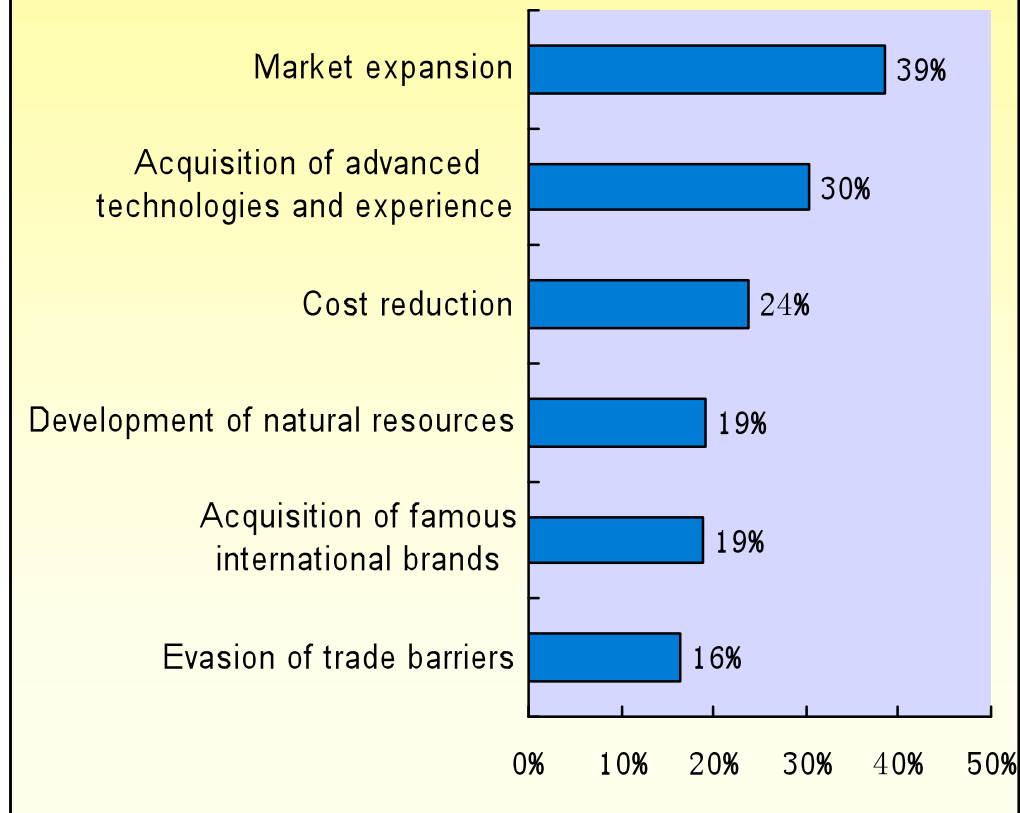


Purpose of Chinese Investments Globally



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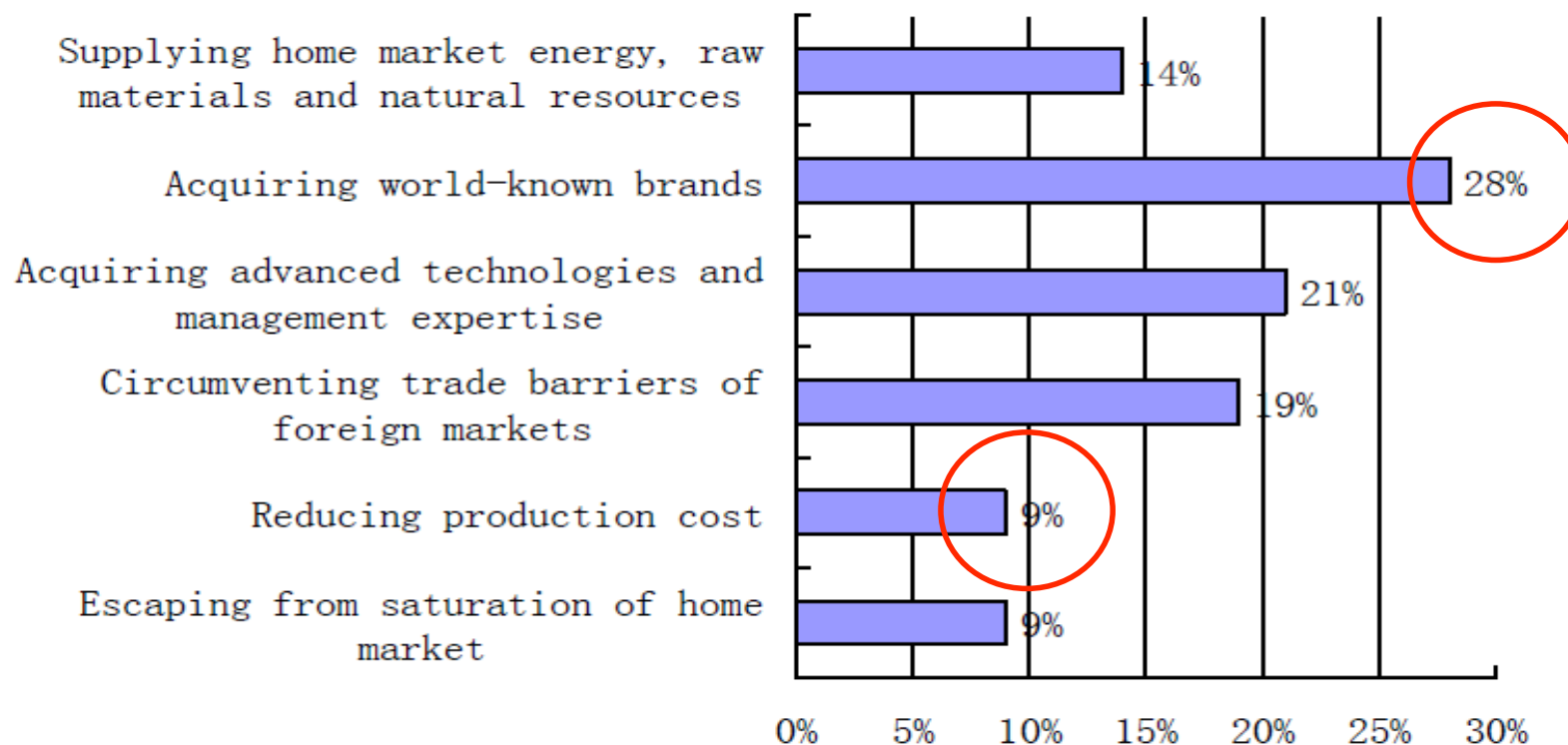
Graph 1.4: Market expansion is primary purpose for outbound investment



Purpose of Chinese Investments in the EU27



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The Most Promising EU Sectors for Chinese FDI Investors



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The most promising sectors for investing in EU

Sector	Sample	%
Agriculture, hunting and forestry	36	2.61
Fishing	5	0.36
Manufacturing	300	21.79
Electricity, gas and water supply	22	1.60
Construction	27	1.96
Wholesale and retail trade	109	7.92
Hotels and restaurants	33	2.40
Transport, storage and communication	37	2.69
Financial intermediation	23	1.67
Real estate, renting and business activities	29	2.11
Unidentified	756	54.90
Total	1377	100

Impact of Chinese Firms in the EU



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		2009 Chinese OFDI Stock (EUR millions)	Number of enterprises (unit)	Value added at factor cost (EUR 000)	Number of persons employed (unit)	Gross value added per person employed (EUR 000)	Turnover per person employed (EUR 000)	Turnover/Value added (Ratio)	Gross operating surplus per person employed (EUR)	Gross investment in tangible goods (EUR 000)	Personnel costs per person employed (EUR)
Belgium	2008	-543									
Bulgaria	2008	7	51	0.9	210	4.3	50.9	12		0.3	
Czech	2004	52	11	0.5						0.1	
Denmark	2007	403	7	23.4	300	78	3189.2	41	13.0	0.6	64.7
Germany	'08	641	110	594.3	4156	143	625.7	4	92.7	54.1	50.3
Estonia	2008	11	0	0	0				0.0	0	0.0
Ireland	2008	-111									
Greece	2008	6									
Spain	2008		11	52	766	67.9	495.3	7	25.7	2.1	42.2
France	2008	375	59	835.4	8968	93.2	339.3	4	48.1	17.6	45.0
Italy	2007	61	27	30.4	311	97.8	443.3	5	54.7	5.6	43.1
Cyprus	2007	6									
Latvia	2008	0	1		3						
Lithuania	2008	2	31	1.9	280	6.8	18.2	3	1.1	0.1	5.7
Luxembourg	2008	:									
Hungary	2008	9	249	13.7	1631	8.4	122.4	15	-0.2	1	8.6
Malta	2008	3									
Netherlands	2007	64	10	27.1	407	66.6	561	8	9.1		57.5
Austria	2008	136	14	4.7	93	50.5	540.2	11	1.1	0.4	49.5
Poland	2007	131	7	7	910	7.7	215.28	28	-1.6	38.6	9.5
Portugal	2004	:	0	0	0				0.0	0	0.0
Romania	2008	34	134	35.9	2251	16	102.4	6	9.3	17.5	6.7
Slovenia	2007	0	20	0.8	74	11.1	27.14	2	4.1	0.1	8.1
Slovakia	2007	22	:	:	:	0	0	0			
Finland	2008	-5	6	7	45	156.1	2406.6	15	66.7	0.1	88.9
Sweden	2008	110	24	40.9	553	73.9	229.1	3	28.6	5.6	45.4
UK	'06	692	25	262.9	697	377.2	7334.3	19	274.5	:	102.7



Impact of Japanese Firms in the EU

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		2009 JP OFDI Stock (EUR millions)	Number of enterprises (unit)	Value added at factor cost (EUR 000)	Number of persons employed (unit)	Gross value added per person employed (EUR 000)	Turnover per person employed (EUR 000)	Turnover/ Value added (Ratio)	Gross operating surplus per person employed (EUR)	Gross investment in tangible goods (EUR 000)	Personnel costs per person employed (EUR)
Belgium	2008	20737									
Bulgaria	2006	93	9	26.2	210	124.8	974.63	7.8	117.6		7.1
Czech	2007	1142	164	905.7	30,885				15.3	503.9	14.1
Denmark	2007	137	41	284.2	3,289	86.4	4,124.0	47.7	23.7	26.9	62.7
Germany	'08	16268	706	8,284.2	74,564	111.1	906.0	8.2	53.3	649.2	57.8
Estonia	2007	5	4	3.2	193	16.4	841.80	51.3	-1.6	0.4	18.1
Ireland	2008	2095									
Greece	2008	17									
Spain	2008	1825	173	1,614.8	22,407	72.1	583.9	8.1	21.5	180.9	50.6
France	2008	8942	390	3,582.5	51,557	69.5	573.3	8.2	14.4	101.8	55.1
Italy	2007	3180	330	1,511.9	23,517	64.3	672.5	10.5	13.8	291.7	50.5
Cyprus	2007	1									
Latvia	2008	0	5	0.7	91	7.4	434.2	58.7	-15.4	2.0	22.0
Lithuania	2008	1	9	13.7	1,113	12.3	88.2	7.2	-1.9	2.2	14.2
Luxembourg	2008	341									
Hungary	2008	824	174	877.4	24,184	36.3	256.2	7.1	19.8	216.1	16.5
Malta	2008	0									
Netherlands	2007	10673	260	2,274.5	23,247	97.8	757.7	7.7	47.6	308.3	50.2
Austria	2008	2473	65	701.1	5,725	122.5	1,048.6	8.6	56.0	92.5	66.5
Poland	2008	1159	66	713.7	20,678	34.5	197.5	5.7	20.0	441.8	14.6
Portugal	2008	:	33	180.6	4,254	42.4	265.7	6.3	19.2	15.6	23.2
Romania	2008	95	27	245.9	18,321	13.4	95.3	7.1	5.5	76.2	7.9
Slovenia	2007	29	5	53.1	242	219.3	1,369.54	6.2	184.3	4.5	35.1
Slovakia	2007	75	13	84.0	7,616	0.0	0.00	0.0	2.9	11.9	8.1
Finland	2008	160	83	672.6	7,352	91.5	1,131.0	12.4	37.2	65.3	54.3
Sweden	2008	1271	103	593.8	8,548	69.5	472.5	6.8	12.5	72.7	56.9
UK	'07	23929	774	15,413.4	103,737	148.6	591.8	4.0	89.2	1,618.6	59.4

Impact of American Firms in the EU



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		2009 US OFDI Stock (EUR millions)	Number of enterprises (unit)	Value added at factor cost (EUR 000)	Number of persons employed (unit)	Gross value added per person employed (EUR 000)	Turnover per person employed (EUR 000)	Turnover/ Value added (Ratio)	Gross operating surplus per person employed (EUR)	Gross investment in tangible goods (EUR 000)	Personnel costs per person employed (EUR)
Belgium	2008										
Bulgaria	2008	1568	488	565.5	23,821	23.7	73.2	3.1	14.9	566.3	8.8
Czech	2007	2391	1,088	4,028.5	120,584				16.5	642.4	16.9
Denmark	2008	8750	405	4,735.6	36,199	130.8	344.2	2.6	65.1	505.5	65.7
Germany	'08	76376	3,470	56,993.4	626,677	90.9	445.9	4.9	36.0	7,102.7	55.0
Estonia	2008	141	42	136.8	6,225	22.0	84.2	3.8	6.1	20.3	15.9
Ireland	2008	4331									
Greece	2008	1731									
Spain	2008	42064	785	11,562.9	164,421	70.3	318.3	4.5	24.6	1,635.3	45.7
France	2008	77162	3,219	50,982.1	450,836	113.1	447.6	4.0	42.3	0.3	70.8
Italy	2007	20056	2,269	20,595.1	271,363	75.9	385.3	5.1	26.0	3,752.9	49.9
Cyprus	2007	170	12	59.9	637	94.0	334.77	3.6	43.0	2.0	51.0
Latvia	2008	303	239	148.6	5,763	25.8	140.6	5.4	13.2	33.2	12.6
Lithuania	2008	258	126	184.8	5,597	33.0	129.5	3.9	16.4	22.7	16.7
Luxembourg	2008	7272									
Hungary	2008	2788	1,973	4,428.2	90,515	48.9	263.5	5.4	27.4	539.5	21.5
Malta	2008	146									
Netherlands	2007	83828	1,125	17,737.2	154,426	114.9	816.4	7.1	62.4	1,916.7	52.5
Austria	2008	11594	457	4,252.0	42,157	100.9	415.8	4.1	38.2	980.5	62.6
Poland	2008	8418	329	4,101.0	98,187	41.8	162.5	3.9	23.1	709.4	18.6
Portugal	2008	:	331	1,484.5	26,121	56.8	287.7	5.1	24.9	238.0	31.9
Romania	2008	1052	435	1,105.1	58,733	18.8	96.8	5.1	8.3	464.1	10.5
Slovenia	2007	69	69	242.8						27.7	
Slovakia	2007	720	74	1,094.9	27,366	0.0	0.00	0.0	23.7	199.5	16.3
Finland	2008	618	430	2,645.4	30,523	86.7	364.7	4.2	31.4	343.9	55.2
Sweden	2008	15911	1,173	7,844.6	113,060	69.4	312.5	4.5	14.4	1,013.8	54.9
UK	'08	178684	5,187	105,525.9	1,058,326	99.7	260.1	2.6	49.6	12,867.0	50.1



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